

Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 CIAE-00 PM-05 H-01 INR-07 L-03
NSAE-00 NSC-05 PA-01 PRS-01 SP-02 SS-15 USIA-06
EB-08 COME-00 OMB-01 TRSE-00 OPIC-03 AID-05 /076 W
-----115437 211421Z /44

P R 211135Z DEC 77
FM AMEMBASSY LISBON
TO SECSTATE WASHDC PRIORITY 4158
INFO AMEMBASSY BONN
AMEMBASSY LONDON
AMEMBASSY MADRID
AMEMBASSY MOSCOW
AMCONSUL OPORTO
AMEMBASSY PARIS
AMCONSUL PONTA DELGADA
USMISSION USNATO
DIA WASHDC
USCINCEUR VAIHINGEN GER
USNMR SHAPE BRUSSELS BEL
COMUSFORAZ

C O N F I D E N T I A L SECTION 1 OF 2 LISBON 9673

E.O. 11652: XGDS-3
TAGS: PINT, PO
SUBJECT: THE PSD PERSPECTIVE FROM SOUSA FRANCO

REF: (A) LISBON 9628 (DTG 191722Z DEC 77), (B) LISBON 9619
(DTG 191634Z DEC 77)

SUMMARY: SOUSA FRANCO DOES NOT BELIEVE THAT THE PS AND
CDS WILL CONCLUDE AN AGREEMENT OR, IF THEY DO, THAT IT
WILL LAST. THE SOCIAL DEMOCRATS ARE WILLING TO WAIT AND
BELIEVE THE DEEPENING ECONOMIC CRISIS WILL FORCE THE OTHER
PARTIES AND THE PRESIDENT EVENTUALLY TO COME TO THEM.
END SUMMARY.

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1. PSD PLAYS WAITING GAME: PSD INTERIM PRESIDENT SOUSA
FRANCO MET WITH COUNSELORS FROM THE BRITISH, AUSTRIAN,
SWEDISH, BELGIAN, AND AMERICAN EMBASSIES DEC 20 TO PRESENT
THE PSD SIDE OF CURRENT INTER-PARTY NEGOTIATIONS. SOUSA
FRANCO WAS FULLY AWARE OF THE CURRENT STATE OF PLAY IN PS-CDS
TALKS, INCLUDING LATEST SNAG IN DISCUSSIONS. HE ANALYZED

THE SITUATION AND DESCRIBED PSD STRATEGY AS FOLLOWS:

-- ROUND ONE TO EANES: THE FIRST ROUND OF NEGOTIATIONS FOLLOWING THE FAILURE OF THE CONFIDENCE MOTION HAD BEEN THE PRESIDENT'S ROUND. EANES HAD CLEARLY BEEN IN CHARGE AND HAD STRUCTURED DISCUSSIONS WITH A VIEW TOWARD FORCING AGREEMENT AMONG THE THREE DEMOCRATIC PARTIES.

-- ROUND TWO TO SOARES: EANES'S DEPARTURE FOR GERMANY ON DEC 12 MARKED THE BEGINNING OF THE SECOND ROUND CONTROLLED BY THE SOCIALISTS. MARIO SOARES TOOK ADVANTAGE OF THE VACUUM CREATED BY THE PRESIDENT'S ABSENCE TO TAKE CHARGE OF NEGOTIATIONS AMONG THE PARTIES. THE PRESIDENT, STILL WISHING TO AVOID DIRECT INTERVENTION IN THE POLITICAL PROCESS, TACITLY ACCEPTED PS LEADERSHIP.

-- ROUND THREE TO THE PSD?: THE SOCIAL DEMOCRATS ARE BETTING ON A THIRD ROUND OF NEGOTIATIONS LED BY THE PRESIDENT. THEY DO NOT BELIEVE THE CURRENT SNAG IN IN PS-CDS TALKS WILL BE OVERCOME. SOUSA FRANCO THOUGHT THE RESULTS OF THE PS-CDS NEGOTIATIONS WOULD BE KNOWN BY THE END OF THE WEEK.

2. PSD CONTINGENCY PLANS: IF THE SOCIALISTS AND CENTER DEMOCRATS COME TO TERMS, THE AGREEMENT WILL BE SHORT LIVED. THE CDS WILL HAVE A DIFFICULT TIME EXPLAINING TO ITS ELECTORATE WHY IT ENTERED INTO AN ARRANGEMENT WHICH BROUGHT IT CLOSER TO THE PCP THAN TO THE PSD. SOCIALISTS WOULD HAVE A HARD TIME EXPLAINING TO THEIR SUPPORTERS WHY THEY ACCEPTED AN UNDERSTANDING WITH THE CONSERVATIVE CDS.

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A PS/CDS ARRANGEMENT, EVEN WITH A SIDE AGREEMENT WITH THE COMMUNISTS, WOULD BE INHERENTLY UNSTABLE. PROVISIONS FOR COMPLEMENTARY LAWS REVISING LEGISLATION ALREADY ON THE BOOKS, AS DEMANDED BY THE CDS, WOULD BE INCOMPATIBLE WITH THE MAINTENANCE OF THE ECONOMIC STATUS QUO SOUGHT BY THE COMMUNISTS. INEVITABLE SOCIALIST BACKSLIDING WOULD FORCE THE CDS EVENTUALLY TO OPT OUT. SOUSA FRANCO GAVE A PS-CDS UNDERSTANDING LESS THAN SIX MONTHS.

3. ENTER EANES: WHATEVER THE OUTCOME OF THE PS/CDS DISCUSSIONS, THE PRESIDENT WOULD BE FORCED TO STEP IN TO SAVE THE SITUATION. ASSUMING FAILURE OF THE SOCIALISTS AND CENTER DEMOCRATS TO AGREE, EANES WOULD HAVE TO MOVE BEFORE THE END OF THE YEAR OR EARLY IN 1978 AT THE LATEST TO FORCE A SOLUTION. IF THE PS AND CDS REACHED AN UNDERSTANDING--WHICH SOUSA FRANCO SAID EANES WOULD RELUCTANTLY SUPPORT--PRESIDENTIAL INTERVENTION WOULD BE DELAYED A FEW MONTHS. BUT, IN EITHER CASE, EANES EVENTUALLY WOULD HAVE TO IMPOSE A THREE-PARTY MAJORITY GOVERNMENT.

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4. PS STRATEGY: PS TACTICS WERE DESIGNED FROM THE OUTSET TO PRODUCE AN UNDERSTANDING FIRST WITH THE CDS, THEN WITH THE PCP. AND FINALLY, IF ALL ELSE FAILED, WITH THE PSD. THE SOCIALISTS HAD MADE A PRIOR DETERMINATION NOT TO CONCLUDE AN AGREEMENT WITH BOTH THE CDS AND PSD. THIS WAS CLEAR FROM THEIR NEGOTIATING STYLE. TERMS OFFERED TO THE CDS WERE ALWAYS HARDENED WHEN PRESENTED TO THE PSD.

5. FEW DIFFERENCES ON ECONOMIC ISSUES: SOUSA FRANCO CONFIRMED THAT THE SOCIAL DEMOCRATS HAD NO BASIC DIFFERENCES WITH THE PS POSITION ON NEGOTIATIONS WITH THE IMF. THE PSD WANTED TO SEE A MORE FLEXIBLE INTEREST RATE POLICY AND A LOOSENING UP OF DOMESTIC CREDIT TO THE PRIVATE SECTOR.
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BUT OTHERWISE THE PSD SUBSCRIBES TO THE OUTLINES OF THE GOVERNMENT'S ECONOMIC ANALYSIS. SOUSA FRANCO SAW FEW PROBLEMS IN ARRIVING AT AN UNDERSTANDING WITH THE IMF IF

A POLITICAL UNDERSTANDING COULD BE ACHIEVED AMONG THE DEMOCRATIC PARTIES. IF A PS-CDS UNDERSTANDING LEFT THE PSD ON THE OUTSIDE, THE SOCIAL DEMOCRATS WOULD NOT PURSUE A POLICY OF SYSTEMATIC OPPOSITION.

6. PUTTING THE PSD HOUSE IN ORDER: SOUSA FRANCO SAID HE HOPED TO HAVE HIS PARTY'S ORGANIZATIONAL AND PERSONALITY (READ SA CARNEIRO) PROBLEMS RESOLVED BY THE FIRST WEEK IN JANUARY. HE CONCEDED HE WAS PERSONALLY DEVOTING FAR MORE OF HIS ENERGIES TO THESE TASKS THAN TO INTER-PARTY NEGOTIATIONS. HE GAVE NO INDICATION OF HOW HE EXPECTED THINGS TO COME OUT, BUT SPOKE WITH THE AUTHORITY OF A MAN WHO EXPECTED TO REMAIN IN CHARGE.

7, COMMENT: SOUSA FRANCO'S REMARKS TOGETHER WITH THOSE OF PS NEGOTIATOR JAIME GAMA (REF A) AND CDS NEGOTIATOR AMARO DA COSTA (REF B) SUMMARIZE THE DIFFERING PERSPECTIVES OF THE THREE DEMOCRATIC PARTIES. THE SOCIAL DEMOCRATS HAVE NO INTENTION OF ARRIVING AT AN UNDERSTANDING WITH THE SOCIALISTS AND CENTER DEMOCRATS ON ANY BUT THEIR OWN TERMS. THEY ARE WILLING TO WAIT AND BELIEVE THE DEEPENING ECONOMIC CRISIS WILL FORCE THE OTHER PARTIES AND THE PRESIDENT EVENTUALLY TO COME TO THEM. SOUSA FRANCO IS RIGHT WHEN HE POINTS TO THE FRAGILE NATURE OF A POTENTIAL PS-CDS UNDERSTANDING. BUT A PS-CDS AGREEMENT STILL LOOKS LIKE THE MOST LIKELY WAY OUT OF THE CURRENT IMPASSE SHORT OF ELECTIONS.

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Message Attributes

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Disposition Approved on Date:
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Disposition Comment: 25 YEAR REVIEW
Disposition Date: 22 May 2009
Disposition Event:
Disposition History: n/a
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